

Transcript of World Bank Group President Jim Yong Kim's Speech at the Council on Foreign Relations

April 1, 2014

World Bank Group President Jim Yong Kim
Washington, DC

Transcript

MS. CARUSO-CABRERA: Hi, everyone. Good morning. Thank you all for coming. It's a packed house.

Welcome to today's Council on Foreign Relations Meeting, and also welcome to our New York participants who are joining us via videoconference. This is the 14th installment of the David Morris Lecture Series. It honors lawyers, public servants, and internationalists who have been an active--honoring a lawyer, excuse me, lawyer, public servant, and internationalist who is an active council member for nearly 30 years.

Our guest today, that's why you're here, President of the World Bank, Dr. Jim Yong Kim. He's going to speak, give some opening remarks, I'm going to chat with him for a little bit, and then we're going to have about a half-an-hour for Q&A, and then we'll wrap it up right on time.

Thanks so much for coming, Dr. Kim.

DR. KIM: Good morning, everybody.

Thank you, Michelle, and also thanks to our host, the Council on Foreign Relations, and I'm very honored to be here giving the David A. Morse Lecture.

I want to talk today about some fundamental issues in global development and the World Bank Group's role in helping countries and the private sector meet the greatest challenges in development.

You know, for a very long time, the rich have known to some extent, and certainly to a much greater extent in recent years, the rich have known how the poor around the world live. But what's new in today's world is that the best-kept secret from the poor, namely, how the rich live, is now out. Through the village television, through the Internet, hand-held instruments, which a rapidly increasing number of the poor possess, life-styles of the rich and the middle class, about which they earlier had only foggy ideas, are transmitted in full color to their homes every day, and that has made all the difference.

The political turbulence we're seeing all around the world has varied proximate causes, but a lot of it's fundamentally rooted in this one new feature of today's world. The question that nearly everyone who lives in the developing world is asking themselves is, how can they and their children have the economic opportunities that so many others in the world enjoy? Everyone knows how everyone else lives. Tom Friedman has referred to this group of people as the virtual middle class.

Last year, when I traveled with President Evo Morales to a Bolivian village 14,000 feet above sea level, to play soccer of all things, villagers snapped pictures of us on their smart phones upon our arrival. When I visited a neighborhood in Uttar Pradesh, in India, the poorest state in India, with also the highest number of poor people, a state with the population of 200 million people, I found Indians watching Korean soap operas on their smart phones. It's not a great mystery then why everyone wants more opportunities for themselves and especially for their children.

We live in an unequal world. The gaps between the rich and poor are as obvious here in Washington, D.C., as in any capital in the world. Yet, those excluded from economic progress remain largely invisible to many of us in the rich world. In the words of Pope Francis, and I quote, "That homeless people freeze to death on the street is not news. ... But a drop in the stock market is a tragedy." End quote.

While we in the rich world may be blind to the suffering of the poor, the poor throughout the world are very much aware of how the rich live, and they have shown they are willing to take action.

We cannot remain voluntarily blind to the impact of economic choices on the poor and vulnerable, not only because of the moral argument that treating your neighbor with dignity is the right thing to do, but also because of the economic argument that when growth includes women, young people, and the poor, we all benefit and inequalities hurt everyone. Women's low economic participation creates income losses of 27 percent in the Middle East and North Africa. Inclusive growth, in contrast, builds a stronger, more robust social contract between people and their government. This also, as we know builds stronger economies, inclusive growth. If we raised women's employment to the levels of men, for instance, average income would rise by 19 percent in South Asia and 14 percent in Latin America.

Just a year ago, the Governors of the World Bank Group endorsed two new goals for our institution. The first, that we will commit our energies to end extreme poverty by 2030. And the second that we will work to boost shared prosperity.

On extreme poverty, what we mean is people living on less than \$1.25 a day, less than the coins that many of us empty from our pockets each night. Yet more than a billion people in the world live on less than that each day.

The second goal about shared prosperity, of course, is a focus on the income growth of the bottom 40 percent. But we know that even if countries grow at the same rates as over the last 20 years, if the income distribution remains the same, world poverty will fall to only about 7.7 percent in 2010, and that's the percentage of all the people the world, not just the developing world living in poverty, from a rate of 17.7 percent--again, this is the entire globe--that were living in extreme poverty in 2010.

In the past 20 years, the world was able to lift roughly 35 million people out of poverty every year. But if we are going to reach our goal of ending extreme poverty by 2030, we need to help 50 million people raise themselves out of poverty every year.

We also know now that the fundamental problems of the world today affect not millions, but billions of us. Nearly 2 billion people lack access to energy. An estimated two-and-a-half billion people lack access to financial services and all of us, all 7 billion of us, face an impending disaster from climate change if we do not act today with a plan equal to the challenge.

Martin Luther King once said, "The arc of the moral universe is long, but it bends towards justice." Today we must ask ourselves whether we, like Dr. King did in his life, are doing all

we can to forcefully bend the arc of history toward justice, toward helping lift more than a billion people out of the devastation of extreme poverty. I am now just 21 months into my tenure as president of the World Bank Group and I ask myself this question, are we doing enough every single day.

Just three months after I started, we defined ourselves as a "Solutions Bank" that will marshal our vast reserves of evidence and experiential knowledge and apply them to local problems. A year into my job, the Board endorsed our twin goals, and just six months ago, the Board endorsed our strategy, aligning our operations to meet the goals. Since then, we have made substantial changes, and we are well on our way to becoming the Solutions Bank we envisioned to help clients tackle the toughest challenges to meet the twin goals.

You know, I feel very fortunate that to work in an institution that has so much intellectual depth, nearly 1,000 economists and 2,000 PhDs. And those PhDs have at least 4,000 points of view on any given issue on any day. And in my time at the World Bank Group, as you can imagine, I've had no shortage of pointed advice from my staff.

But their passion and insight remind me on a daily basis that our people care deeply about their mission. We recently took a survey of staff and one result was especially encouraging: 90 percent said they were proud to work at the World Bank Group. Now our responsibility is to take all that experience, talent and knowledge, and makes it user-friendly to any country or company that needs it.

We need to work differently in order to reflect one of the indisputable new realities in the world: Governments and companies can turn to many places for financing and for knowledge. Our comparative advantage has to be so clear that companies, countries, and other partners will seek us out for the best on-the-ground experience and advice available anywhere. We now will work much more cohesively across our institution so that staff in the Bank who work in the public sector, staff in IFC, who work in the private sector, and staff in MIGA, who provide risk insurance and guarantees, will bring their collective experience together to better serve our clients.

We've also created what we call Global Practices, which will become communities of experts in 14 areas, such as water, health, finance, agriculture, and energy. In the next few days, we'll be announcing most of the heads of these practices.

Imagine what it would be like if I were naming one of you in the room as a Senior Director of our Water Practice. You would be responsible for designing investments in water and

sanitation so that girls, for example, aren't walking miles every morning to the nearest river for cooking and cleaning instead of going to school. Soon, you would have around 200 water experts on your team. You and your management team would look across water-related projects in the world and deploy the 200 experts to Bangladesh, Peru, China, or Angola, for instance, making choices to move holders of particular knowledge to address specific problems in a particular country. Your task, more than anything else, would be to deliver solutions. You would be expected to find the best approaches in water and sanitation that will help millions of poor people lift themselves out of poverty. In my opinion, you and your 200 experts would have the best jobs in the world in your field.

Our entire leadership at the World Bank Group, including the heads of Global Practices, will be responsible for spreading knowledge and then scaling up successful programs, what we have called at the World Bank Group a "science of delivery." Delivery is about ensuring that the intended results reach the intended beneficiaries at or near expected cost. In order to deliver at scale, we need to curate knowledge, excel at problem solving, deal with complex systems, address social goals, and measure effectiveness throughout all of the projects that we work on. If we can deliver on our promises, we can have a transformational impact in the world.

The world's development needs, of course, far outstrip the World Bank Group's abilities to address them. But we can do so much more. In order to meet the increased demand that we are expecting as we get better at delivering knowledge and solutions to our clients, we've also strengthened our financial capacity to scale up our revenue and stretch our capital.

I'm pleased to announce today that, with the support of our Board, we now have the capacity to nearly double our annual lending to middle-income countries from \$15 billion to as much as \$28 billion a year. This means that the World Bank's lending capacity, or the amount of loans we carry on our balance sheet, will increase by \$100 billion in the next decade, to roughly \$300 billion. This is in addition to the largest replenishment in the history of IDA, our fund for the poorest, with nearly \$52 billion in grants and concessional loans that we received just in December.

At the same time, we are also increasing our direct support to the private sector. MIGA is planning to increase its new guarantees by nearly 50 percent over the next four years. IFC expects it will nearly double its portfolio over the next decade to \$90 billion. In 10 years, we

believe that IFC's new commitments, annual commitments, will increase to \$26 billion a year.

Taken as a whole, the World Bank Group's annual commitment, which today is around \$45 to \$50 billion, is expected to grow to more than \$70 billion in the coming years. This increased financial firepower represents unprecedented growth for the World Bank Group. We are now in a position to mobilize and leverage, in total, hundreds of billions of dollars annually in the years ahead.

Now, as a matter of integrity, we needed to look inside our institution and identify savings. Almost every large organization can become more efficient and we announced a goal of saving \$400 million in the next three years, and in the days ahead we will give details about the majority of those savings, which we will of course reinvest in countries. I believe very strongly that had to get leaner before we got bigger.

So, in the coming years, what will we be doing? We will follow the evidence and we will be bold. The fact is that two-thirds of the world's extreme poor are concentrated in just five countries: India, China, Nigeria, Bangladesh, and the Democratic Republic of Congo. If you add another five countries, Indonesia, Pakistan, Tanzania, Ethiopia, and Kenya, the total grows to 80 percent of the extreme poor. Expect us to focus on these countries, but we will not ignore the others. We will have a strategy that ensures that no country is left behind as we move toward the target of ending extreme poverty by 2030.

So how will we be bold? Well, one example is in China, where last week we launched our report with the government on the future of China's cities. This report included the work of more than 100 World Bank Group staff and has already spurred China to make policy decisions that address critical development and urbanization challenges, including green growth, pollution, and land rights for farmers. This report will help China shift its focus from the quantity of growth to the quality of growth in order to improve the lives of its citizens. We hope that these lessons from China will be beneficial to cities around the world.

A second example is our work on the Inga Hydroelectric Project. Just two weeks ago, our Board approved a \$73 million grant to the Democratic Republic of Congo. Grand Inga which is potentially the world's largest hydropower site, could generate more than 40 gigawatts of power, which is equal to half of all the installed capacity of all of Sub-Saharan Africa today. Moreover, it could potentially prevent the emission of 8 billion tons of carbon

over 30 years if coal was used to generate the same amount of power. We need this power desperately in Africa; today the combined energy usage of the billion people who live in the entire continent, not just Sub-Saharan Africa, but the entire continent, equals what Belgium offers to its 11 million people. This is a form of energy apartheid that we must tackle if we are serious about helping African countries grow and create opportunities for all Africans.

A third example of being bold is our work in supporting conditional cash transfer programs. These programs provide monthly payments to poor families if, for example, they send their children to school or go to the doctor for a check-up. The results have been astounding. Before conditional cash transfer programs, school attendance by poor children in parts of Cambodia was 60 percent; today, after the program started, nearly 90 percent of children attended school. In Tanzania, along with the country leaders and the United Nations, we have decided to greatly expand the conditional cash transfer program, which was started in 2010 for 20,000 households. By the middle of next year, we estimate it will reach 1 million households, covering 5 to 6 million of the country's poorest people. This is what we mean by identifying successful programs, working with partners, and taking transformational solutions to scale.

This is the path we are taking in order to serve countries better. The World Bank Group is committed to working in more effective ways with key partners and stakeholders, including those in civil society and the private sector. We need partnerships, strong global institutions, a vibrant private sector and committed political leaders. Most important of all, we need to unite people around the world in a global movement to end poverty.

As a physician, health activist, and later health policymaker, I had the privilege to be part of the international HIV/AIDS movement that emerged in the 1990s. The AIDS fight is a story of vast human suffering—but it's also one of history's most inspiring examples of successful global mobilization to reach shared goals.

When HIV treatment appeared in the late 1990s, organizations reached across borders to build a genuinely global AIDS movement, committed to making treatment available to everyone. The 200-fold expansion in access to AIDS treatment in developing countries over the last decade is the fruit of this movement. Millions of lives have been saved, and millions of children still have a mother and a father.

Social movements can produce results even in the face of problems that appear insurmountable. We need to take the lessons from such efforts and apply them to a

movement around today's great challenges: ending poverty, boosting shared prosperity, and ensuring that our economic progress does not irreparably compromise our children's future because of climate change.

Last fall, I had the opportunity to discuss these issues with Pope Francis. When I described our commitment to build a global movement to end poverty by 2030, the Pope answered simply, "Cuenta conmigo." Count on me. With leaders like Pope Francis, a global movement to end poverty in our lifetime is possible.

All parts of our global society must unite to translate the vision of a more just, sustainable economy into the resolute action that will be our legacy to the future. In global institutions, governments, companies, and communities around the world, people have begun to work to make this vision real. To all these people, to all of you, I say: We stand with you. Cuenten con nosotros.

Thank you.

[Applause.]

MS. CARUSO-CABRERA: Inspiring. Great to have you.

So, we've just heard a lot about the very lofty and wonderful goals you have and I want to drill down on one example, so, because ultimately the World Bank is a financing mechanism, right?

DR. KIM: Right.

MS. CARUSO-CABRERA: Let's talk about the hydroelectric plant in the Democratic Republic of Congo. Tell me about the decision-making process there. How did you decide? What is the money used for exactly, et cetera?

DR. KIM: Well, so, the initial \$73 million is really for planning, but the numbers, and I think this happens to most people who take a look at the geography, the potential, the numbers, hydroelectric power has been controversial for a very long time, but in this particular geographical location, the possibility is that, with relatively little environmental damage, damage that is really going to be controllable, with relatively little displacement, you could generate up to 40 gigawatts of installed capacity. And as I said, that's half of what they

have in Sub-Saharan Africa right now. The cost of generation is going to be \$0.03 a kilowatt-hour.

And just to give you--we probably here in Washington pay, what, \$0.10-0.12 a kilowatt-hour. And in Burkina Faso, they pay the highest price in Africa, \$0.75 per kilowatt-hour.

Now, you look at a country like Burkina Faso, they have been growing at 6 percent a year, paying \$0.75 a kilowatt-hour.

MS. CARUSO-CABRERA: Despite those high costs of energy, yeah.

DR. KIM: Despite those high costs.

And then, if you add the cost of transmission, well, you know, Chinese companies tell us that they can build transmission lines as far as a couple thousand kilometers for an additional two, three cents a kilowatt-hour. So, we're still talking extremely cheap energy. Now, if it was just the cheap energy, you'd have to look at, but it's not just that. It is that it is so much cleaner. And so, over a 30-year period, the CO2 emissions from a hydroelectric water plant would be about a million tons of carbon dioxide, compared to eight billion tons if you build coal plants.

Now, the issue, and this is what I hear in talking with the leaders in Africa, they're saying, "How do you expect us to reach the aspirations that we have for our people, the aspirations that our people have for themselves without energy?" And some people have said, "Well, you know, you don't need coal, you don't need hydroelectric, you don't need nuclear power. You can use solar and wind."

But it's just not possible to look at industrial development now with intermittent power. So, the question you have to ask yourself is, are you serious about two things: The first is, are you serious about working with African countries and people to help them reach their aspirations, and for us the answer is yes. And the second question is, are you serious about climate change? And if you are, this is a twofer, as we say, here FCS.

MS. CARUSO-CABRERA: What would the kilowatt-hour cost be if it were coal?

DR. KIM: It would be higher. It actually would be higher, yeah.

MS. CARUSO-CABRERA: Ultimately, what happens when the plant is constructed? Are people going to have to pay for it? How far does the planning go?

DR. KIM: Well, so, this would be a source of income for of course the Democratic Republic of Congo, and you'd have to build the transmission lines.

MS. CARUSO-CABRERA: Because the consumers would pay for it. This isn't going to--right.

DR. KIM: Yeah, and they've already signed an agreement with South Africa. South Africa is ready--or they are beginning to really get serious about agreeing to actually pay for the electricity.

Now, the thing is, in 5, 10, 15, 20 years we absolutely know for sure that Africa is going to need that power. And so, the question for us is, which path do we go down? Do we go down this path which would avoid nuclear, avoid coal, and provide this kind of power in a way that would be as clean as you can imagine or do we go in other directions or do we turn away?

And for me, what we're saying is, "Look, this is going to be hard. We know this is hard." There is a lot of instability in that Region, but there are other projects in the world in which we've been able to build sort of a governance structure around something that's really important. The Suez Canal is one, there are other places where we've said, "This particular project is so important that we're going to protect it from the vicissitudes of local politics." Now, that's not going to be easy.

MS. CARUSO-CABRERA: Very difficult to do.

DR. KIM: That's not going to be easy. That's not going to be easy, but the question is, is it worth it? And for me, something that would provide half the power that Sub-Saharan Africa has now and potentially take eight billion tons of carbon out of the air is important enough to really explore.

MS. CARUSO-CABRERA: So, this decision sounds like a no-brainer because it was cheaper than a fossil fuel, but a lot of places you don't have that choice.

DR. KIM: You don't have that choice. No, this is a very special geography.

MS. CARUSO-CABRERA: Go to Brazil and people are angry that their gas prices are higher than they otherwise would be because of ethanol.

DR. KIM: Right.

MS. CARUSO-CABRERA: So, where do you manage that balance where the poor in the world want electricity, they want cars, and the developed world says, "Oh, well, that's going to cause emissions." How do you balance that?

DR. KIM: So, for us, we're trying to say, "Look, there are going to be different solutions in different areas." So, are there places where solar and wind-based microgrids and minigrids make sense? Absolutely.

Villages in India, there are villages in Africa, for instance, where you can do that.

MS. CARUSO-CABRERA: But are you willing to fund a coal plant?

DR. KIM: You know, our Board has been very clear about this, in that we would only do it in the most special circumstances.

And so, there are circumstances out there where there is just no other option. And right now, we haven't signed any agreements on funding coal while I've been President, but you have to balance this need for power with climate change.

And so, if you look at the coal power plants that we would potentially consider, Kosovo, Mozambique, maybe a few smaller ones, the impact on CO2 emissions as a whole would be miniscule compared to what's already happening now in the United States, in China, everywhere else, right? So, would we do it? Well, if it came to the point where there were absolutely no other potential choices for building base load, is what we're talking about, not for intermittent power but for building base load, then I think we would have to consider it because people have a right to energy.

MS. CARUSO-CABRERA: The world is awash in liquidity right now. There's a lot of cheap money in the world.

Frontier funds--you know what a frontier fund is--that basically means it's investing in places like Africa, Bangladesh, et cetera. They're getting investment dollars in a way they never have before.

What's your role? Is it to compete with them? Is it to co-invest with them? Do you even have a role?

DR. KIM: You know, we were just at the G20 meeting. I didn't attend, but our Chief Financial Officer attended, and for the last three or four G20 meetings, the topic every single time was, "We need more funding for infrastructure in developing countries." So, the world is awash in liquidity, that's true, but it's really not going to fund those projects that are critical for economic development.

MS. CARUSO-CABRERA: So, is your role to go where the private sector will not go?

DR. KIM: Well, what we're trying to do is go to where the private sector fears to go, and then lessen their fears to going there.

So, if you just get a sense of the scale, every year the official development assistance, foreign aid, is about 125 billion a year. So, Africa alone has about 100 billion a year in infrastructure needs.

If you look at the BRICS countries--this is Africa other than South Africa--and if you throw South Africa in and look at the BRICS countries, the BRICS countries themselves have about \$1 trillion a year in infrastructure needs. So, foreign assistance is a tiny piece of it. What we now know is, as I said, everyone wants to join the global middle class, and in order to meet those aspirations, we're going to have to invest in infrastructure. There is no way that foreign assistance, or even the Bank, we're \$50 billion a year, is going to be able to meet that need.

So, what we really are trying to do is structure deals so that we lessen the sense of risk, and then we make clear what the returns are going to be, and then we crowd in, as it were, private sector funders. And right now, there are a lot of private equity firms, Blackrock, others who are making the investments, but what they are telling us is they just don't have the personnel to be able to give them a real sense of what the risk is in Burkina Faso, right?

MS. CARUSO-CABRERA: You need real on-the-ground intelligence, yeah.

DR. KIM: How do you do that? How do you do that?

And we have folks--I mean, we have the thousand economists and two thousand Ph.Ds. who are all over the world who can give you very, very fine-grained analysis of what risk really is.

MS. CARUSO-CABRERA: I wasn't clear: How are you able to double your lending capacity? Are you getting more money or is the Board approving more leverage?

DR. KIM: So, both. The Board is approving more leverage. Well, let me put it this way: We are not getting a capital increase. In other words, we're stretching our balance sheet as much as we possibly can, and we have increased the single-borrower limit. So, some of our biggest countries, India, China, Brazil, are getting close to their single-borrower limit. And so, what we have done is we have extended their single-borrower limit, but in extending it, we've increased the price. So, this was a difficult negotiation, but they have agreed to pay a higher price for this extension of their ability to borrow.

MS. CARUSO-CABRERA: Interest rates.

DR. KIM: The interest rates, right. It's about 50 basis points.

MS. CARUSO-CABRERA: That's great, yeah.

DR. KIM: About 50 basis points.

And the other part of it is that we have a very, very healthy equity-to-loan ratio, 28 percent. And so, the question for us is, how low can we go in terms of our equity-to-loan ratio and still--

MS. CARUSO-CABRERA: This is the equivalent of an LTV. So, in a mortgage, you're way underwater--or you're nowhere near you--am I understanding it right?

DR. KIM: So, Basel III was talking about, what 10-12 percent equity to loans. I mean, some of the banks were so leveraged that that number was--we're at 28 percent. So, we have an extremely healthy balance sheet. And the question for us is, how low can we go in terms of the equity-to-loan ratio?

And by creating increased flexibility in terms of how low we could go, we could increase the volume of our lending. So, for us, it was just really a matter of being more creative with the resources we have.

MS. CARUSO-CABRERA: So, every dollar that you're lending out, you're lending it out ten times, twelve times? Do you know? I don't mean to put you on the spot, I just have never considered the leverage ratio of the World Bank before. I mean, I think about it in Fannie and Freddie and all these other places.

DR. KIM: Right. So, why do we do it this way? So, we have one of the best AAA credit ratings in the world and part of it is because we have such an equity-to-loan ratio. And the reason we keep such a healthy equity-to-loan ratio is because it has been argued that we make risky loans. We do. We loan to Burkina Faso. We loan to places where nobody else will go. We're the first ones in. You know, we just made a commitment to the Ukraine, for example, and we were the first ones to make a major commitment of \$3 billion. And so, there is risk in what we do. So, you do have to keep a very healthy equity-to-loan ratio in terms of being able to ensure that you're not going to default or get in trouble.

The question was, how healthy does it need to be? And so, what we've determined is that we can go less than 28 percent equity-to-loan ratio and still have a very healthy institution and not get in trouble.

MS. CARUSO-CABRERA: Do you care about getting paid back?

DR. KIM: Of course we do, and here's why: So, when we talk about our market rate loans, the loans that we provide to India, China, and other places, it's still something like a LIBOR plus 50 basis points.

MS. CARUSO-CABRERA: Cheap.

DR. KIM: So, it's still really, really cheap, because we borrow at LIBOR minus 25 basis points, something around that. And so, the spreads are just not that great. And so, we think that, when we provide a loan at those rates, it's part of the responsibility of those countries to us as an institution to make sure that we get paid back, and it's good discipline.

MS. CARUSO-CABRERA: Let's take questions from the audience, and we'll take some from New York, as well.

Gentleman right here in the front. There's a microphone coming over.

QUESTION: President Kim, Steve Kashim [phonetic], Pan-African Capital.

I'm very excited to hear about the discussion with regard to Inga and the potential that the World Bank sees with regard to Inga.

Has there been a lot of coordination as it relates to the U.S. Government and the Power Africa Initiative that the U.S. Government is taking with regard to leveraging the capability that the Bank or Power Africa on the other side may have as it relates to Inga, given that DRC is not one of the countries related to Power Africa?

DR. KIM: Yeah, we're in active negotiations, and I know that many people in the U.S. Government are very interested in Inga. There hasn't been a decision yet about whether it would be part of Power Africa. It's not right now, as you said.

But I think that the U.S. is going to be a critically important partner, not only in the sense of government participation, but there are a lot of great companies in the United States that actually make the technology that we need for the Grand Inga.

You know, this is a difficult one. It's going to take the World Bank--we're already working, the first grant that we're making to DR Congo has been matched by--not fully, but has been partially matched by the African Development Bank. So, it's going to be World Bank, African Development Bank, probably the Government of the United States in some form, we hope, we're not sure yet, the Government of China has shown great interest in this particular project.

And I would like to think of this as potentially a great opportunity for all these institutions to work together around something that will be so important, not only for African people, but for the planet. And so, this is a rare opportunity that we have now and there's no question that it's going to be difficult, but if China, the United States, all the different multilateral development banks, their development institutions, USAID, I know Rajiv Shah is very interested in this particular project. If we could get this group together, I really do think we could make it work.

MS. CARUSO-CABRERA: Right here in the front, again, and then we'll move to the middle and the back.

QUESTION: Patty Babbitt [phonetic] with the World Resources Institute.

I was surprised that you didn't address climate change more directly in your presentation. It is obviously global, it is obviously a threat multiplier, and obviously the impacts are the greatest on the poor and the poorest of the poor. And I wonder if you could talk more about how the Bank has embraced that set of issues.

DR. KIM: You know, I've talked about it so much that I've decided not to talk about it so much in this particular speech.

So, when I arrived at the World Bank -- did I see Harold Varmus in the crowd, by the way?

Hi, Harold, how are you?

So, Harold is one of my heroes and he was right there helping us begin that fight against HIV/AIDS. And the reason I point to Harold is, when I came on board, I asked the people who were working on climate change, I said, "Do you have a plan that's equal to the challenge?" They said, "Well, what do you mean?"

I said, "Let's just take one example. Let's take HIV/AIDS." All right, so, when Harold was head of NIH, they mounted a campaign that the likes of which we haven't seen before. So, we discovered people living with the virus in 1981, and NIH made massive investments in HIV research, and I remember Harold--Tony Fauci once saying, "There's only two kinds of researchers in the world: people who are researching HIV now and people who will be researching HIV in the future."

And Harold moved huge amounts of funding into this particular area. So, in HIV, we put the money into basic science research, and then we changed the laws so that it would be easier to get promising molecules into industry. And then, we changed the laws around the Food and Drug Administration to get molecules that are promising from industry through the FDA more quickly, and then people set up clinical trials, a network the likes of which we've never seen before. And in 15 years, from '81 to '96, we had a treatment that basically turned a one-time completely deadly, universally deadly disease, into one that was a chronic condition.

And so, I said, "That's what I mean by a plan, that you've got the basic science, the industry, the clinical trials," I mean, whatever that would be in terms of sustainable energy, "Do you have that all together?" And the answer I got was a resounding, "No, there's nothing like that," for something that is potentially the most important problem that we as a world have faced.

So, I kept saying, "What's the plan? What's the plan?" Professor Pachauri came to see me, the IPCC who--they just launched their report. And I asked him the same thing, "What's the plan, Professor Pachauri?" And I kept saying, "You know, we do \$8 billion a year in energy funding. What do you want me to do?" And there was no plan. So, I said to them, "Here's what I think happens." I think what happens is that when some report comes out or when some extreme weather event happens, the whole world looks to you guys--and I wasn't part of that group at that time, and they're asking themselves, "So, what are we going to do?" And you say things like take fewer showers, put solar panels on your roof. And they look and they say, "Oh, so, this is not such a serious problem after all." That was my read.

And so, we put our plan together, and our plan has five parts. The first is there's got to be a reliable price on carbon, and I don't know how we're going to do it, it's going to be really heard, but we've got to find a way to put a price on carbon.

The second is we've got to remove fuel subsidies. You know, Egypt is facing many, many different problems. One of the biggest ones is they spend 8 percent of GDP goes to subsidies of all sorts. They've got to remove fuel subsidies, because it is both bad for the air and also very bad for governments. This is a huge expense. It is just very politically unpopular to remove them. We want to work with countries to remove fuel subsidies.

And the other three: One is cleaner cities. That's why we worked with China on this urbanization report, because we think that there are tremendous innovations in building cleaner cities that are just not being used. Cities are being built on the basis of sprawl, and the lack of planning is causing carbon output to go up. And we now know that there are fantastic examples of being able to reduce carbon output from cities. New York, for example--and this is an amazing example--Mike Bloomberg said, "We're going to reduce our carbon footprint by 30 percent by 2030." They're going to get the job done by 2017.

So, the examples are out there. We have to be the organization that takes the great solutions that are already out there and spreads them around the world.

Another is access to finance for sustainable energy. We do not yet have the kind of access to finance for sustainable energy sources that people need. There's not enough financing to meet the demand for solar and wind energy, for example, in Africa. We need to do that.

And finally, there's this thing that we call climate smart agriculture. There are so many great examples of how individual countries, individual states, individual farmers, even, have brought to the table really innovative ways of not only increasing productivity but actually putting carbon back into the ground.

And so, I just had a great conversation with Bill Gates about this issue, and he's very interested, of course, in agriculture and health, and he points out that everything you need to do to increase the productivity of smallholder farmers in Africa, for example, is exactly the same thing that you need to do to create more climate smart agriculture.

So, there are at least these five things that we know we can do right now. These are all win-win propositions. These are things that I think there is general agreement on. I think the most controversial one is the price on carbon. But the other four, boy, I think we generally agree on this. If we could just make those four or five things happen, it's, in my view, the beginning of a plan.

But the basic point is this: Why are we not as serious about climate change as we were about HIV? I mean, part of it--so, we had Harold and others who led the charge, but another part of it is that I think we're not yet alive to the science of what the IPCC is telling us.

MS. CARUSO-CABRERA: As you know, there's criticisms, though, of what a lot of people would say, mission creep by the World Bank. If your mission is to alleviate poverty, and then you're focused on climate change, as we've discussed before, sometimes there's a choice to be made between the two, right? Ultimately, do you lean towards the first?

DR. KIM: Well, sure. We're--as we look at the potential impacts of climate change, for example, one of our biggest clients is Bangladesh, right? Bangladesh, if you look at what's happening with even the small rise in the oceans and look at how much land they're going to lose, this is going to be the number one poverty issue for them. If you look at the coastal cities, one of the predictions is that if we get to where we think we're going to get in terms of temperature rise and sea rise, Bangkok could be underwater by 2030.

So, we feel that tackling climate change is critical to tackling extreme poverty. In fact, we'll never get there--

MS. CARUSO-CABRERA: But is the World Bank the best mechanism?

DR. KIM: Well, you know, when I came on board, I was hoping that they would say, "Hey, here's the plan. We have a plan and we want you to do this part of it." That would have been great. We would have gone off and say, "Okay. Great, I'm glad you have a plan. We'll do your part."

MS. CARUSO-CABRERA: But you agree, though. You think the World Bank can execute on that mission in a leadership way?

DR. KIM: Well, we can scale up climate smart agriculture, we can provide better financing for renewable energy. We definitely can help people build cleaner cities. We can do all of that.

MS. CARUSO-CABRERA: Even though the reason solar and wind don't get a lot of investment is because it is not profitable in a lot of places.

DR. KIM: Well, you know, the profitability is one aspect of it, but the real problem, in our understanding, is that you need long-term financing, and it's just very difficult to find long-term financing anywhere in the developing world.

And you know, the real issue and the reason that so many developing country leaders are so worried is that, even at times of very low interest rates, it was still hard to find long-term financing for things like infrastructure for energy.

And now, with interest rates going up, the question is--

MS. CARUSO-CABRERA: It's going to get harder. Yeah.

DR. KIM: --will it get even harder? And so that's our role.

MS. CARUSO-CABRERA: It will.

DR. KIM: We always play a countercyclical role.

And so, in this particular case, it is making financing available for those things that we know are both good for people and good for the environment.

MS. CARUSO-CABRERA: All right. Let's go to the back there. The woman in the very back row, in the purple.

QUESTION: Thank you. It's a real pleasure to have you here. I'm Yolanda Richardson. I'm at the Campaign for Tobacco-Free Kids.

And most of us in the public health community were delighted when you came to the World Bank, hoping to bring a greater focus on public health.

My question is that, given that the Bank's focus is on the top five of India, China, and Bangladesh, these also happen to be the countries with the greatest numbers of smokers in the world. The Bank has not been an enthusiastic supporter of increasing tobacco taxes, which has a dual function both of increasing the number of the revenue that the governments have, but also decreasing the number of smokers, disproportionately poor.

Is there any chance that the Bank is willing to get on board in terms of looking at tobacco tax increases as a revenue source and as a public health fix.

DR. KIM: Yes.

[Laughter.]

DR. KIM: Let me answer the question a little bit more fully. So, one of the most important studies that have ever been done in the world of health, especially in global health, just came out recently. Larry Summers and Dean Jamison did a review of 20 years of investing in health. And they were responsible for the 1993 World Development Report called "Investing in Health."

And so, they did a 20-year retrospective, and some of the findings--and this was not original research, but this was just looking at the studies that had been done over that 20-year period--some of the findings were really stunning.

One was that from 2000 to 2011, during that period, they estimated that 24 percent of economic growth in that period was related to improved health. And so, they made the case that now it's not just a question of investing in health because it's the right thing to do

morally or ethically. Investing in health is the right thing to do economically. And we've never had that kind of number in the world before. It was a stunning number.

In education, just to give you another example, you know, the OECD puts out something called the Program on International Student Assessment, the PISA scores, and the PISA scores--and mostly they're done--they're testing that's given to 16-year-olds. It's amazing that the better you do on PISA scores, the better your economy does. So, now, we have direct evidence that investing in education, investing in health is actually good for economic growth.

We really didn't have those kinds of numbers 20 years ago, and people like me who were health activists were sort of using a moral ethical argument to invest in health and education, but now we have the economic argument. You need to invest in your people.

In that study, one of the clearest no-brainers is stopping tobacco use or slowing down tobacco use. And so, it's something that we simply have to look at.

And what we're now trying to look at is how can we provide everyone some sort of security in health care. Universal health coverage is the language that we're using. And so, we're very involved in that. We've become much more involved in that since I took over.

And the way that we work is, show us the evidence, and we're going to move in that direction. So, I think the most exciting thing for me is that, 20 years ago, we were arguing from a moral ethical basis that you should invest in people. Now, the evidence has caught up with our ethics, and the evidence is clear: Investing in people is the smartest thing you could do.

Every country I go to, when I meet with heads of state, maybe it's because of my background as a doctor and the head of a great institution of higher learning, maybe it's that background, but every single one of them asks me two questions: How do I both reduce my expenditures in health in the cities and get coverage out to the people? And two, how can I build an educational system that will help us be more competitive in the future?

Every country in the world, and I would say every country in the world, including this one that we're in right now, has a problem with these two issues. And so because they are so important for economic growth, we are going to be very involved in, I think, our work in those areas.

MS. CARUSO-CABRERA: But are you going to tell those leaders to raise taxes on cigarettes is what she wants to know.

DR. KIM: Look, I have a very clear opinion, a personal opinion, on taxes for cigarettes. I think they are a good thing.

Now, whether they make sense in any given country, I'm going to make the argument that it will make sense in every single country. Whether this works economically for them, whether it works for them, I'm not sure. What we can do is to make very clear policy recommendations based on evidence, but then what happens is that we make those recommendations, and then the countries do make a choice, because it is a loan, after all. When we provide a loan, the countries are in the driver's seat. They make the choices. I will continue to bring the evidence to them that this is a good idea, and my hope is that more and more countries will adopt it.

MS. CARUSO-CABRERA: Let's take a question from New York. I see the woman with the microphone sat down. Go ahead.

QUESTION: Thank you very much, Dr. Kim, Maurice Tempelsman.

My question is prompted by this response that you've just given to the question about health and education, and going back to your opening remarks, which were basically focused on the fact that we live in a different age where the poor can--it's not only the rich who can watch the poor, but the poor who can watch the rich. And I view that as a potential for what I would call motivation.

And I think very much in development work, all of us involved in it, know that there are certain countries and certain cultures which are motivated in a different way than others. You raised some of them, like education and health issues. How do you see redirecting the World Bank to capitalize and to expand the motivation of the recipient countries to address the issues which your institution is trying to address?

DR. KIM: Thanks very much for your question. And I see next to you my good friend--is that John Rosenwald? Hi, Rosie, how are you?

Anyway, here is what we hope to be able to do: What we hope to be able to do is to really bring solutions together, bring the kind of approaches to improving educational systems,

improving health care systems, to building better roads, to building cleaner, more livable cities, and we hope to bring all of those possibilities to countries directly, and then we hope that they will choose the options that make the most sense. You know, we are a very unique organization. We are run by 188 Governors and those 188 Governors are the ones who determine most broadly the directions that we go. We have Ministers of Finance, we have some Ministers of Foreign Affairs, we have some Ministers of Development.

And so, because we are really a collective, it's very difficult for us in Management to dictate what any single country does. And so, the principle is that we provide evidence, we provide financing, we do everything we can to increase, as you say, the motivation of the countries to do the right thing, but at the end of the day, because it is a collective, the countries have to make the decision, and this is important, because one of the great criticisms of the World Bank in the past is that we told countries what to do. In the days of structural adjustment, this was the big criticism, that we land on the scene, we fly in to the capital cities and we basically tell countries what to do. We can't and we won't do that anymore.

Instead, what we can do is to try to convince through evidence. So, I hope that we can be very influential, and the better we get at providing not just sort of ideas, not sort of what to do, but the better we get at helping people with the how, here is how China solved the problem of irrigation and the lowest plateau. Here is how a particular region in Kenya has implemented climate smart agriculture. Here is how a particular city put in bus rapid transit and had a huge impact not only on carbon emissions, but got people moving. Here is a toll road in Senegal. Why don't you consider this?

The difference is we're not saying, build a toll road. We're saying, "Here is an example of how it's worked really well. This could work for you." And what we hope is that will excite the passions and the possibility of these countries and that they will make the right choices.

And now, I see that you are sitting, Mr. Templesman, at a whole Dartmouth table. I see Brad and Fred there, as well.

Good to see you.

MS. CARUSO-CABRERA: Let's go to the middle of the room here, the woman in the center.

QUESTION: Thanks. Daniela Blue-Ayers [phonetic] from the State Department. Hi, Jim.

A question, you've laid out this kind of broad vision for change for the Bank, and spoke about, at the end, the need to bring kind of a global community around that vision around ending extreme poverty and addressing climate change, including business and government.

What do you see as the mechanisms to do that? I mean, right now there is a discussion of next rounds of development goals in 2015. But it seems that getting the kind of world around these goals, particularly such a diverse set of actors, you need to change them, will be a significant task. So, any thoughts on what it will take.

DR. KIM: Well, what I've been saying to our team and what I've been saying to, now, people who are very close working partners, people like Carter Roberts at the World Wildlife Fund and Mark Tercek at the Nature Conservancy, Fred Krupp at EDF, we're now in conversation with them all the time.

And I think the approach we're trying to take is, yes, we absolutely need a global agreement and that's--the opportunity for that is going to come up in Paris at COP 21 in 2015.

But what can we do right now to make the likelihood of a global agreement--to improve the likelihood of a global agreement? And I think what we have to do is we have to take all the things that we know we can do right now, things that we know we're doing badly right now, and then begin to tackle those issues so that there is momentum leading into COP 21?

Now, is there going to be a grand agreement at COP 21? I don't know. I sure hope so, and that would be a huge boost forward. What are the promising signs? I think President Obama and the U.S. have made very strong signals about willingness to move forward.

China, despite the fact that it's the largest emitter, has a hugely ambitious plan for reducing their carbon footprint.

And of course, the European Union has always been very focused on climate change issues.

If those three came forward and led the charge to having an agreement, I think we'd have one. But still, it's complicated. And there are all kinds of complex issues about who pays for adaptation, for example, and they're in the middle of the mix.

So, the most important thing is that any of us who can act right now, who can do things right now to reduce our carbon footprint, we need to do it. And for us, it's pretty straightforward, yes.

MS. CARUSO-CABRERA: Let's go to New York for another question.
Anybody have another question?

All right. While New York thinks about it, let's go right here in the front.

QUESTION: Good morning. My name is Bob Bestani, and though I am now with the Department of Energy, for six years I ran the private sector arm of the Asian Development Bank, and in that period, we increased our loans by a factor of 41 times on rock-solid transactions.

Michelle, I think, was absolutely right when she said that the world is awash with money and you were absolutely right that there is no long-term capital, and it seems the nexus there is that the reason why money doesn't go to these projects, the reason why the private sector doesn't come to these countries and, hence, why they're poor, is because the governance in these countries are so bad. There's no rule of law, there's no regulatory framework, et cetera.

I was a bit disappointed not to hear you talk about governance, because I think that's the key to the whole thing, and so, my question is, really, what is the World Bank doing on this vitally important issue?

MS. CARUSO-CABRERA: Because you acknowledge it's an issue when you said you tried to isolate the banks to make sure--the World Bank's loans to make sure you got paid back.

DR. KIM: Yeah, well, so, Bob, you know also that the quality of governance varies dramatically across continents and across the world.

I think that most people would be surprised at how much better governance has gotten in Africa, for example, over the last 20 years.

If you look at the finances of African countries and you look at their debt-to-GDP ratios, you look at their fiscal policies, you know, one of the things that happened over a 20-year period is that, mainly because they had to, these countries listened to groups like the World Bank

and IMF and others and they really did watch carefully. I mean, they benefitted tremendously from debt relief, but they also did institute more rational and more evidence-based, as it were, fiscal policy. They did really watch their debt-to-GDP ratios.

And now, you see that a lot of these governments, at least from a financial perspective, have the kind of fiscal space that they could take on these projects.

The governance issues are real. Corruption is a very real issue. We continue to work in places where we know that there is corruption, because there is no other group that would do it. For example, we work in Afghanistan, and it's critical that we work in Afghanistan. Nobody wants to see Afghanistan go back to an era before 2001. Nobody wants to see that, but we also know that there's a lot of corruption there. The best thing we can do is, when we go into a particular country, we make it clear that we have zero tolerance for corruption.

On my first day on the job, my first major decision was whether to stop a bridge project because of the evidence of corruption, and we did it and we will continue to do it.

So, we've got to fight corruption, we've got to do everything we can to try to help specific countries improve on their governance. But the good news about the Bank, and you know this from the Asian Development Bank, because we have safeguards in place, because we do auditing, because we're so careful at following our money, we can at least tell our own Governors where our money is going and it takes a lot to do that.

So, our role has been mostly to try to influence the government and influence from the way that we can. Now, are there ways of putting together projects, infrastructure projects, in countries like Africa, in which even private sector investors would feel comfortable with the risk. We think that's definitely possible, and that's frankly our job.

MS. CARUSO-CABRERA: Because you would take on the risk.

DR. KIM: Well, we would take on a good chunk of the risk, but we would do is we would provide information and on-the-ground insight about what the real nature of risk in these countries are because—

MS. CARUSO-CABRERA: You understand the spirit of his question, right, is that there's judicial reform, you don't need to be there anymore because the private sector would go

instead, because there's obviously the potential to make money, because there's demand, there's need, et cetera, but if you're fearful you're going to get ripped off, you don't go.

DR. KIM: So, there are many, many countries in the world that have a lot of work to do in terms of rule of law, there's no question about that.

MS. CARUSO-CABRERA: But do you play a role in trying to influence them on that?

DR. KIM: We actually don't work specifically on rule of law issues, because we're not a political organization. We're prevented by our Constitution from being directly involved in politics.

On the other hand, we can help countries, and we've done it over and over in many different areas--we have helped countries get better at being more fair in terms of how it deals with private sector companies. We have our Doing Business Report, we've been working on this for a long time.

Look, in countries all over Africa, the leaders are telling me the same thing. They're saying, "We understand. We're not going to develop our country based on aid. We need the private sector." Every single African country I go to knows this and they know that there are things that they need to do.

Again, I would say that you cannot generalize across Africa. There are places in Africa where governance is very strong. There are places in Africa where governance is very weak, even within specific African countries, there are regions where governance is strong and regions where governance are weak. That's the kind of information we can bring to the table to, at the end of the day, bring in private investors.

MS. CARUSO-CABRERA: Dr. Kim, what should I have asked you or did you expect someone to ask you?

DR. KIM: Nobody asked me about Ukraine.
[Laughter.]

MS. CARUSO-CABRERA: And you have a minute to tell us about Ukraine.

DR. KIM: Well, you know, we met with the Prime Minister when he was in town, and it's a very difficult situation. Again, part of it is that we're not involved directly in the politics of the Ukraine.

MS. CARUSO-CABRERA: You're not advising them on governance?

DR. KIM: Excuse me?

MS. CARUSO-CABRERA: You're not advising them on governance.

DR. KIM: Well, what they need now is help in terms of implementing their reforms. So, this particular government passed through its parliament a really ambitious set of reforms that even tackled fuel subsidies.

So, one of the things we're doing is we're trying to help them lessen the blow on the poorest of some of these reforms that we know that they have to take.

And so, we're in active negotiations with them to try to figure out what we can do to provide some sort of funding so that, for example, when and if they remove their fuel subsidies--

MS. CARUSO-CABRERA: Today. They raised prices on consumers today, 44 percent.

DR. KIM: Yeah, so, and as they do that, they now need to protect the poorest.

And so, the programs that we support in the Ukraine are focused specifically on providing direct support for some of the poorest citizens.

And we're working to try to see how quickly we can move that money.

MS. CARUSO-CABRERA: Thank you so much. It was a pleasure.

DR. KIM: Thank you.

[Applause.]